

## ADDENDUM: CHALLENGES AND SOLUTIONS FOR RURAL/SMALL CAAs

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Many rural and/or smaller CAAs face unique governance, legal and operational challenges. This addendum addresses and suggests solutions to those unique challenges faced by rural and small CAAs, informed by the thoughts of rural and small CAA leaders and the experience of CAPLAW and other national Community Action partner organizations.

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## Part I: Introduction

Many rural and/or smaller CAAs face unique governance, legal and operational challenges. Although no hard and fast definitions of “rural” or “small” are used in this publication, the common denominator for a rural CAA is one located a substantial distance from urban areas where larger numbers of individuals and organizations with legal, financial, and other expertise are found. A commonly used definition of the term “rural” used by the federal government is an area that does not have a core urban area of at least 50,000 people. Another definition used is an area of at least 400 square miles with a density of less than 35 people per square mile. A “small” CAA, for purposes of this publication, is a one whose budget is not large enough for the organization to easily hire enough qualified people to perform core administrative functions necessary to adequately manage and oversee the organization. Many CAAs may be both rural and small, thus compounding the issues of accessibility and sufficient resources.

This publication is intended to supplement *Tools for Top-Notch CAAs: A Practical Approach to Governance and Financial Excellence*, published by Community Action Program Legal Services (CAPLAW). That toolkit, which is available at [www.capl原因.org](http://www.capl原因.org), addresses many issues of importance to Community Action Agencies (CAAs), such as board meetings and minutes, financial capacity, organization-wide budgets, conflict of interest and whistleblower policies, and financial statements for boards. Its audience is CAAs across the board, although the improving financial capacity section presents different options based on size of the organization’s budget. This publication uses the *Tools for Top-Notch CAAs* toolkit as a springboard to address and suggest solutions to those unique challenges faced by rural and small CAAs, informed by the thoughts of rural and small CAA leaders and the experience of CAPLAW and other national Community Action partner organizations.

## Part II: Governance

### Challenges

The tripartite board is the heart of the Community Action Agency. It is required by the federal Community Services Block Grant Act and is symbolic of the history of participation of the low-income community itself in addressing poverty, as well as of participation of elected officials in informing the CAA’s programs and overseeing its operations. But it also presents challenges, especially for CAAs located in smaller or more geographically dispersed communities.

Although there is no federal minimum or maximum number of CAA board members, some states do set such parameters. And all CAAs, of course, must ensure that one-third of their board members are elected officials or their representatives, at least one-third are democratically-selected representatives of the low-income community, and the balance are members or officials of business, industry, labor and other groups. Many CAAs’ bylaws also require removal of board members who have missed a certain number of board meetings. Furthermore, many state CSBG monitors are focusing more intently on long-term board vacancies.

Together, these factors often make it difficult for rural or small CAAs to find qualified board members who meet the tripartite board criteria. This situation can be compounded where individuals who are willing to serve as board members miss a number of board meetings and are then removed due to excessive absences, thus creating a vacancy, which is then hard to fill. This problem can be magnified in a rural community, where there is a smaller pool to choose from and there may be multiple boards competing for the same people, particularly in the private sector of the board. The requirement for Head Start grantees, and the best practice for all other CAAs, that the board include members with financial and legal expertise, and, for Head Start grantees, early childhood expertise, raises the bar even higher.

In addition, for CAAs that are Head Start grantees, the Head Start program’s prohibition on board members receiving compensation from the CAA, being related to any CAA employee, or having any other financial conflict of interest with the CAA, may hit CAAs in rural and small communities particularly hard. In many small or rural communities, there may only be one of a particular type of vendor, such as a lawyer with nonprofit experience, an insurance agency, or a grocery store. Or there may be only one local vendor and the other vendor is a national big-box chain, such as Walmart. The CAA would prefer to support local vendors or service providers,

but that may create a prohibited conflict of interest if the owner of that local business serves on the CAA board. Of course, it is just such local business leaders that CAAs often want on their boards.

Although filling vacancies can be a problem, the other side of the coin, stagnant leadership and too-cozy relations between the board and management can also create problems. This may be particularly true of board chairs – the “chair for life” problem. If a CAA’s bylaws do not set term limits for officers – particularly board chairs – management may get too comfortable with long-serving officers. Although this situation is not necessarily unique to rural areas, the tendency for rural areas to not have as many new people and businesses moving into the area and existing residents moving out, as well as the longstanding leadership and reputations of officers in the community, may make this a particularly acute problem for rural CAAs.

For CAAs covering large geographic areas, thus requiring some board members to travel long distances, often in bad winter weather in areas such as the Northern Plains and Rocky Mountain regions, regular board meeting attendance and quorums at those meetings are also a challenge. Travel can also be difficult for low-income board members who may not have reliable methods of transportation, particularly in rural areas where there is little public transportation.

## Suggested Solutions

Here are some suggestions for addressing the problems raised in the section above:

- Rotate location of board meetings
- Reimburse board members for transportation
- Use electronic means of participation in board and committee meetings and distribution of materials
  - » Permit participation by phone; use speaker phone so that all can hear all participants
  - » Consider using audiovisual teleconferencing facilities; community colleges sometimes have such facilities
  - » If an emergency meeting is necessary, consider conducting meeting by phone
  - » Create a board page on your CAA’s intranet site to post board minutes, committee reports, meeting dates, agendas, board packet materials, etc. An email can be sent to board members when materials are added to the webpage that you want them to review
  - » Consult with an attorney in your state who is familiar with your state’s nonprofit corporations law and open meetings law and revise your CAA’s bylaws if necessary to permit the board to meet by phone

### Note

Most state nonprofit laws now permit meeting by phone, however; many states’ open meetings laws do not permit meetings by phone under most circumstances. A public CAA will be subject to its state’s open meetings law. Whether a nonprofit CAA is subject to its state’s open meetings law depends on state law; nonprofit CAAs should check with an attorney in their state about whether they are so subject.

- Consider using an executive committee of the board to approve some actions when necessary between meetings. However, be careful of giving too much authority to the executive committee
- Set term limits for board officers
- Create a board governance committee that is responsible for recruitment of new board members, consistent with tripartite board requirements

- Ensure that the board plays a valuable role in overseeing and setting direction of CAA (i.e, not acting as a “rubber stamp” for management) in order to make potential board members feel that service on the board is worth their time
- If potential board members are not able to serve because of prohibited conflicts of interest, create an advisory or “friends” committee that can take advantage of their expertise and/or fundraising capabilities
- Enforce board meeting attendance policies

## Part III: Legal Representation

### Challenges

It is often more difficult for CAAs to find attorneys in rural or smaller communities. It is particularly difficult to find attorneys with the particular legal expertise often needed by CAAs, such as tax-exempt organization and federal grant law. Most areas of the law, such as employment law, require knowledge of a particular state’s law as well, so just relying on national publications or resources is often not sufficient. Although working with an attorney from a larger city in the state is frequently a solution, some face-to-face meetings and a deeper understanding of the local CAA’s operations are preferable for the attorney or firm that serves as the regular advisor for routine legal matters. Lawyers in larger cities also often charge more.

### Suggested Solutions

Here are a few suggested solutions to these issues:

- Look for pro bono legal service providers in your area, such as law school legal clinics, bar associations, legal services providers (some have special divisions for organizations focused on poverty issues or that serve the poor or small businesses creating economic development). The CAPLAW website has a list: <http://caplaw.org/resources/bytopic/probonoreferral.html>.
- Use CAPLAW attorneys and resources to supplement and assist your local attorney. Many resources and publications are available for free on our website. CAPLAW also welcomes requests for assistance from CAAs and their attorneys, particularly in legal areas that have a national scope, such as grant law, and that local attorneys may not be familiar with.
- Have local attorneys participate in webinars and conferences presented by CAPLAW and other organizations in order for them to become more familiar with legal issues facing CAAs.

## Part IV: Human Resources

### Challenges

Some rural CAA executive directors have complained of a “brain drain” from their areas. The most talented, qualified individuals tend to leave those areas, they say. This problem is exacerbated by the low salaries that many rural or small CAAs can pay. It can therefore be difficult to fill positions requiring high-level skills and leadership abilities. It can also be difficult to fill the human resources director position itself, either because of lack of qualified individuals, or insufficient funds. Yet, it is critical for an executive-level individual to hold that position. That position is, or should be responsible, for, among other things, developing personnel policies for board approval and ensuring compliance with those policies and the multitude of employment laws that apply to CAAs. A good person in this role can save the CAA many headaches down the road.

Training on HR issues is essential, both for HR professionals, and for supervisors and other staff who manage employees. It is often the non-HR staff – those on the front lines – who are likely to ask the illegal question of job applicants, permit the harassing behavior to continue, or otherwise put the CAA at risk of facing liability in a complaint brought by an employee. It can be a challenge, however, to find good HR training in a rural area or a small town.

## Suggested Solutions

Here are some suggested solutions to these issues:

- Offer benefits that do not require additional funds, such as flexible scheduling
- Review your CAA's budget to determine if staffing could be restructured to permit a higher salary to be paid to critical positions, such as HR director and finance director.
- Work with local educational institutions, such as colleges, to recruit volunteers and interns for some positions and to identify qualified applicants for higher-level paid positions.
- Use national Community Action organizations and other national organizations to attempt to recruit from a broader geographic range of applicants
- Consider outsourcing some functions, such as HR or finance, if in-house capabilities are not sufficient for compliance purposes. However, the CAA, including its executive director and the board, will still be ultimately responsible for that function.
- Consider sharing resources, such as HR and benefits administration, with other nonprofits in the area.
- Investigate national providers of cost-effective employee benefits solutions such as the national Community Action Partnership's relationship with Mutual of America, which provides retirement plans for nonprofits.
- As a cost-saving step, consider setting up a retirement plan that provides only for employee contributions, rather than both employee and employer contributions.
- Ensure that staff attend HR training sessions, either at the local, state, regional or national level. Most state and regional CAA association conferences include HR workshops. CAPLAW and the national Community Action Partnership also present HR workshops at their conferences. State and national associations of HR professionals (such as the Society for Human Resources Management) present their own conferences devoted solely to HR issues.
- Ensure that HR staff subscribe to publications, such as newsletters, that keep them current on HR issues. Some of these may be free; for example, law firms that provide legal representation to employers often send newsletters to clients. Fisher & Phillips, a national labor law firm, has an excellent web site that offers articles and publications on numerous employment law issues, including many state law summaries: [www.laborlawyers.com](http://www.laborlawyers.com).
- Online and video HR training is also available from organizations such as the Society for Human Resource Management [www.shrm.org](http://www.shrm.org).

## Part V: Case Studies

Following are two case studies of rural and/or small CAAs that illustrate some of the challenges faced by rural and small CAAs and how each of the two CAAs addressed the challenges they faced.

### Case Study: Community Action Partnership of Northwest Montana ("CAPNM")

CAPNM is located in the northwest corner of Montana, an area perhaps best known as the home of Glacier National Park. Its headquarters is in Kalispell, a city of about 20,000 people. As described on its website:

*CAPNM serves a large geographic area of 13,375 square miles with a total population of over 150,000. Flathead, Lake, Lincoln and Sanders Counties are very rural with limited employment opportunities and low wages. CAPNM is the largest private human services agency in the four county area, providing a wide variety of services to promote self-sufficiency and independence, which allows maximization of resources to benefit more individuals.*

CAPNM has an annual budget of about \$8 million. Its programs include energy conservation, housing development, in-home care assistance, asset development, and job training.

CAPNM, driven by its board of directors and its (now recently retired) executive director, Doug Rauthe, has taken steps to have an impact on the discussion of rural issues at the national level. CAPNM has been active in many national organizations, including rural groups such as the National Rural Assembly and Rural LISC. CAPNM believes that issues of poverty need to be addressed differently in the rural context. Just a few of the unique issues impacting poverty and addressing it are: transportation; an aging population caused by the exodus of youth and jobs; the longer time period for recovery from economic recession; and technology issues such as lack of universal access to broadband.

## Challenges and Solutions

### Few Grants from National Foundations

**Challenge:** According to Mr. Rauthe, one of the biggest problems is the hesitancy of large national foundations and federal government programs to fund rural nonprofits. Rural philanthropic grant making is historically less than 1/3 of 1% of the overall grant making by all foundations in America according to Rick Cohen of Non-Profit Quarterly. There is a common misconception among national foundation staff that rural nonprofits lack the capacity and infrastructure to carry out grants.

**Solution:** The CAPNM Board of Directors and management have become more involved in fundraising. CAPNM has also increased the number of partners with which it works, as well as public awareness of the needs of the organization and the clients it serves. While some partners donate money, others are more willing to loan staff, provide mentoring, provide meeting and classroom space, and pay for specific things. CAPNM has also been successful in obtaining grants from smaller regional and local foundations. However, these tend to be funded in smaller amounts than national foundation grants, yet still require significant levels of reporting and management.

CAPNM has also had success in obtaining assistance from a local bank, whose vice president is on the CAPNM Board. The bank vice president is very visible and CAPNM has benefitted from her expertise. She helped CAPNM refinance its mortgage through the bank, which resulted in dramatic savings that it could apply elsewhere. CAPNM was able to work with the bank in other ways through persistence – going back to the bank president multiple times with multiple requests. Sometimes the bank said no, but others time it said yes. For example, the bank president agreed to do radio spots to solicit participants for CAPNM's home ownership program. The local bank has also committed its staff to expand financial literacy classes in more rural areas through the use of the branch managers in those areas and other bank employees have volunteered at two-day events for the homeless.

### Providing Services across a Large Geographic Area

**Challenge:** Distance is a factor in the ability to offer a complete array of programs to all clients throughout a geographically large service area. The costs of transportation (fuel and mileage) and time of staff assigned to provide services or teach classes in the far corners of the service area are high and are not reimbursed adequately by limited administrative cost reimbursement of some programs. It is difficult to communicate with and manage staff in remote sites. The distances also create barriers in serving clients because of the inability to meet face-to-face. For example, since fuel assistance applications are mailed out to clients because of the large distances between clients, more time is often needed to address issues of missing documentation that would otherwise be resolved through on-site client-staff communications.

**Solution:** CAPNM provides full-scale services at its headquarters in Kalispell, but then creates modified versions of services or training to go on the road to remote sites or clients. One client financial literacy training that was taught in eight separate classes in Kalispell was condensed down to one eight-hour class for presentation at other sites where both staff and clients lived at a greater distance from the training location. These modifications also require funding sources that will understand the necessity for flexibility in services provided across the large area.

## Board of Directors

**Challenge:** Although CAPNM has not faced this problem in recent years, in earlier years, it have some difficulty in attracting people to serve on the board, especially in the low-income sector. It is often a challenge for them because of lack of transportation. Even those with adequate transportation sometimes had to travel long distances; one board member now travels almost 130 miles one-way to attend board meetings.

It was also sometimes difficult to get a quorum at meetings. County commissioners who served on the board had particularly busy schedules that often conflicted with meetings.

**Solution:** CAPNM board members are provided the support and information to carry out their role. They are provided with training manuals and job descriptions. Classes are offered to board members on reading financial statements, ROMA, and governance. They are involved in development of CAPNM policies. Because they know that they are valued by the staff and other board members and understand the importance of their role, board members participate in governance activities willingly. A four-hour working lunch board meeting is held on a Friday every other month. Low-income board members are reimbursed for mileage, provided lunch, and given a \$5 stipend to reimburse other costs. Although recruiting low-income sector board members has been difficult, more aggressive recruiting in outlying areas, by CAPNM staff and other organizations serving low-income clients, as well as providing transportation options like car pooling, has been successful. Low-income organizations nominate candidates and ultimately elect representatives after the board's vetting process.

## Hiring and Training Qualified Staff

**Challenge:** CAPNM has had a difficult time filling a finance department position that required either a CPA, or a bachelor's degree and progress toward obtaining that credential. The individuals either did not have the necessary qualifications or were not a good fit. This is fairly common for rural employers; a vicious cycle is created. People who have those skills find that there are not enough jobs for them in the area and consequently move to an area with more jobs. Then, when an employer does have an opening, there are not enough qualified people to fill them.

A related problem unique to CAAs serving communities in rural areas is the large distances that must be traveled to take advantage of educational opportunities. Enrolling in an advanced educational program, for example, has sometimes required staff to travel 250 miles roundtrip on a regular basis. This makes it difficult for staff, or individuals interested in applying for positions at CAPNM, to improve their skills and credentials for higher-level positions, such as those that require a CPA.

**Solution:** Keep advertising for the position. The person CAPNM eventually hired and retained was from the local area originally and had recently moved back to the area. Also ensure that wages are competitive with the local market. Since CAPNM did not have enough funds to pay for applicants to travel for an interview, they did initial interviews over the phone.

## Procurement and Conflicts of Interest

**Challenge:** In smaller communities, everyone knows each other and many are related. There may be only one vendor for a particular good or service. For some specialized services, there may not be any vendors in the area or none with the required expertise. For example, when CAPNM first entered the affordable housing arena in 1994, there were no local attorneys with expertise in the Low-Income Housing Tax Credit (LIHTC), a program with complicated legal requirements.

**Solution:** Sole-source procurement, or business relationships with relatives of staff or board members, may be inevitable in some situations. But documenting the process, any necessary approvals, and the fact that the resulting transaction is in the best interest of the organization is key. For example, when CAPNM needed a pest control company for one of its apartments on an emergency basis and the only one available that day was related to a staff member, they used that firm, but documented the necessity of doing so.

Creative solutions may also be necessary to obtain needed expertise. When CAPNM could not locate a nearby attorney with expertise in the LIHTC and HUD affordable housing programs, the CAA decided to train its attorney in that field. CAPNM staff went with the attorney to training sessions; he is now very well-versed on housing issues and CAPNM has completed a number of successful affordable housing projects.

### Case Study: KCEOC Community Action Partnership (KCEOC)

KCEOC serves southeastern Kentucky, part of the Appalachia region. It serves one county with its CSBG program, but eight counties overall, with a total population of 250,000 to 300,000. It is headquartered in Barbourville, a city of about 3,200 people. The area's history includes exploration by Daniel Boone, for whom a nearby national forest is named. About 40 percent of the area's residents live in poverty. KCEOC provides Head Start, weatherization, LIHEAP, job training, and housing. Its President/CEO is Paul Dole, a current board member and the former president of the national Community Action Partnership.

### Challenges and Solutions

#### Lack of Local Financial Resources to Support the CAA

**Challenge:** Because of the small population and few wealthy institutions, there is little local financial support for KCEOC. Foundations and funders from outside the area frequently want to serve a larger population in order to get a bigger “bang for their buck.”

**Solution:** KCEOC's proposals focus on the high poverty rate in the area to show a great need among the smaller population. KCEOC also brings together as many potential clients and organizations from a wider geographic area as possible to attract support from large funders. For example, they put together a collaboration to provide services to homeless people. KCEOC and three other CAAs in the area jointly submitted a proposal to the state housing corporation, which received money from HUD. By joining together with and subcontracting out to the other CAAs, they were able to achieve efficiencies that were attractive to the state.

KCEOC is also in close and frequent contact with local elected officials, as well as officials throughout the state, who frequently write recommendations and letters of support for proposals. It was through these relationships with elected officials and with the local college, the city, and the county that KCEOC was able to build a wellness center that houses a fitness center, nutrition classes, a summer feeding center, and serves as a center for the whole community, available to all on a sliding fee scale. This was accomplished with Congressional earmarks for the planning and design work, state earmarks for the initial construction and New Market Tax Credits for the construction completion.

In the affordable housing arena, KCEOC used funds from the Appalachian Regional Commission, HUD's HOME program and the Federal Home Loan Bank Affordable Housing Program to pay for infrastructure, including water and sewer. With infrastructure complete, KCEOC is building energy efficient homes in a subdivision, which will provide attractive, affordable housing that will improve the entire local community.

#### The “Brain Drain”

**Challenge:** Existing staff sometimes do not have the skills or expertise necessary to carry out programs, such as tax credit housing projects. Some of the most talented individuals leave the area. With a limited budget, it is often difficult in a rural area to attract candidates. Often KCEOC will receive plenty of applications, but not necessarily of the highest quality.

**Solution:** To attract a larger pool of candidates, KCEOC advertises beyond the local area, extending to Lexington, Kentucky. Also, the KCEOC Board of Directors strongly believes in training. Employees are sent to excellent training programs, which may require traveling to a regional or national conference. The current head of KCEOC's housing program has attended HUD and state housing corporation training and is now one of the most knowledgeable people on housing programs and their requirements.

### **Board Recruitment**

**Challenge:** KCEOC used to have trouble recruiting and retaining board members.

**Solution:** Once KCEOC was perceived as being successful in the community, it no longer had trouble recruiting new board members. In fact, people now ask to serve on the board. It does this without feeding the board on any regular basis (the board decided not to use its funds for that purpose). The board meets every third Monday every other month, beginning at 6 p.m. It has a quorum at each meeting, usually with 55% - 60% of board members in attendance.

### **Legal Representation**

**Challenge:** Although KCEOC has a local attorney for routine matters, such as filing corporate documents, it needed another attorney with expertise in housing issues for its HUD and LIHTC projects or for disputes with funding sources.

**Solution:** KCEOC uses a Louisville attorney for more complicated matters. And for its LIHTC and HUD affordable housing projects, it used an attorney recommended by the tax credit syndicator. In the words of President/CEO Paul Dole, that attorney “saved the project.”